

LAKETOWN TOWNSHIP
ALLEGAN COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED MARCH 31, 2005

KIEKOVER, SCHOLMA & SHUMAKER, PC
Certified Public Accountants
Zeeland, Michigan

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Laketown Township	County Allegan
Audit Date 3/31/05	Opinion Date 7/20/05	Date Accountant Report Submitted to State: 9/23/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Kiekoover, Scholma & Shumaker, PC			
Street Address 205 East Main Street		City Zeeland	State MI
Accountant Signature <i>Kiekoover, Scholma & Shumaker, PC</i>		ZIP 49464	Date 9/23/05

Laketown Township, Michigan
ANNUAL FINANCIAL REPORT
Year Ended March 31, 2005

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INDEPENDENT AUDITOR'S REPORT

July 20, 2005

Township Board
Laketown Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Laketown Township, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Laketown Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Laketown Township, Michigan, as of March 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7E, the township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2004.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laketown Township, Michigan's basic financial statements. The other supplemental data, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kiekoever, Scholma & Shumaker, PC

Management's Discussion and Analysis

As management of Laketown Township, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2005. We encourage readers to consider the information presented here in conjunction with the Township's financial statements that follow this section.

Financial Highlights

- The assets of Laketown Township exceeded its liabilities at the close of the most recent fiscal year by \$4,330,679 (*net assets*). Of this amount, \$1,266,088 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$199,919. This is reflected in a net increase in capital assets, net of related debt of \$378,877, a decrease in restricted net assets of \$29,737, and a decrease in unrestricted net assets of \$149,221.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$657,947, a decrease of \$90,541 in comparison with the prior year. Approximately 81.3% of this total amount, \$534,854, is *available for spending* at the Township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$292,120 or 20% of total general fund expenditures and transfers out.
- The Township's total debt decreased by \$212,996 (13.3%) during the current fiscal year. This is the result of the Township making its required scheduled debt service payments of \$212,996 while incurring no new debt during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected state shared revenues, franchise fees, and accrued interest payable).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the Township include operations of the Felt Mansion.

The government-wide financial statements can be found on pages 1-3 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains seven (7) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Sewer Connection Fund, Graafschap Fire Station Debt Service Fund, and Goshorn Water Debt Service Fund, which are considered to be major funds. The Township has three (3) nonmajor funds. These include one special revenue fund, one debt service fund, and one capital project fund. Data from the other three governmental funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its General Fund and Sewer Connection Fund. Budgetary comparison statements have been provided herein to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 4-6 of this report.

Proprietary funds. The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses an enterprise fund to account for operations of the Felt Mansion.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail and information, such as cash flows. The proprietary fund financial statements provide separate information for the Felt Mansion Fund, which is considered to be a major fund of the Township.

The basic proprietary fund financial statements can be found on pages 7-9 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Township has no fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-21 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting the budgetary comparisons for the Township's General Fund and Sewer Connection Fund, found on pages 22-24 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. These combining statements can be found on pages 25-26 of this report.

Government-wide Financial Analysis

Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Laketown Township, assets exceeded liabilities by \$4,330,679 at the close of the most recent fiscal year.

By far the largest portion of the Township's net assets (68%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (2.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$1,266,088) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Since this is the first year the Township has presented government-wide financial statements, comparisons to the prior year have not been presented. In future years, when prior year information is available, a comparative analysis of government-wide data will be included.

TABLE 1 - Laketown Township's Net Assets

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,517,470	\$ 12,782	\$ 1,530,252
Capital assets	<u>3,670,785</u>	<u>664,841</u>	<u>4,335,626</u>
Total assets	<u>5,188,255</u>	<u>677,623</u>	<u>5,865,878</u>
Long-term debt outstanding	1,394,128	-	1,394,128
Other liabilities	<u>139,598</u>	<u>1,473</u>	<u>141,071</u>
Total liabilities	<u>1,533,726</u>	<u>1,473</u>	<u>1,535,199</u>
Net assets:			
Invested in capital assets, net of related debt	2,276,657	664,841	2,941,498
Restricted	123,093	-	123,093
Unrestricted	<u>1,254,779</u>	<u>11,309</u>	<u>1,266,088</u>
Total net assets	<u>\$ 3,654,529</u>	<u>\$ 676,150</u>	<u>\$ 4,330,679</u>

Change in Net Assets – As shown in Table 2 (changes in net assets) the Township's total revenues were approximately \$1,544,000 for the current year, of which 45.7% was obtained from property taxes. Charges for services accounted for another 22.0% of the total, State shared revenues 25.0 %, and operating grants and contributions 2.0%. The balance of the Township's revenues was primarily derived from interest earnings and other sources. The total cost of all programs and services for the year ended March 31, 2005 was approximately \$1,344,000. Township expenses cover a wide range of services. For the current fiscal year, about 41.7% of the Township's expenses related to general government services, 36.8% related to public safety, 5.7% related to public works, 0.8% related to community and economic development, 4.0% related to recreation and culture, 5.4% was interest on long-term debt, and 5.6% related to Felt Mansion operations.

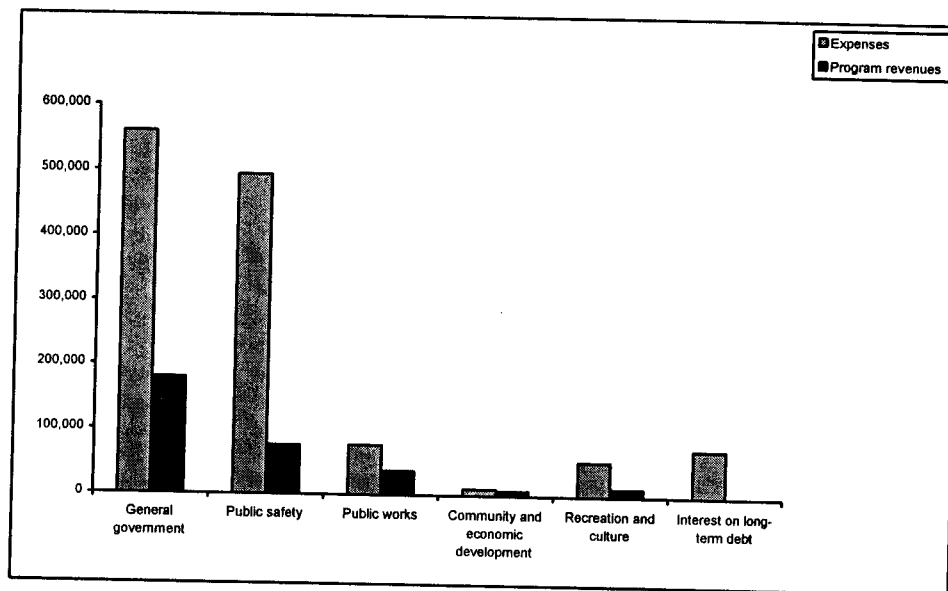
Net assets increased by \$219,318 for the Township's governmental activities. Net assets for business-type activities decreased by \$19,399 during the year.

The following analysis highlights the changes in net assets for the year ended March 31, 2005.

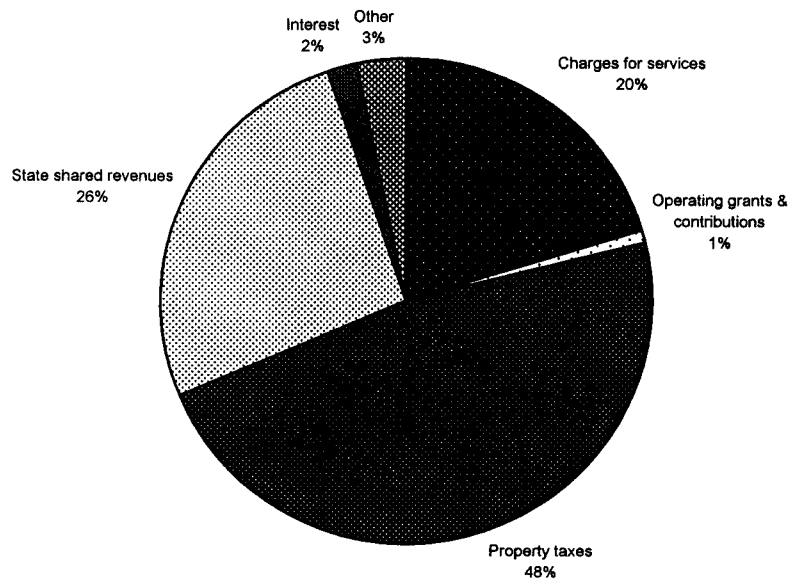
TABLE 2 - Laketown Township's Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
Program revenues			
Charges for services	\$ 301,906	\$ 38,240	\$ 340,146
Operating grants and contributions	12,500	18,218	30,718
General revenues			
Property taxes	706,237	-	706,237
State shared revenues	386,324	-	386,324
Interest	31,469	-	31,469
Other	48,674	-	48,674
Total revenues	<u>1,487,110</u>	<u>56,458</u>	<u>1,543,568</u>
Program expenses			
General government	559,929	-	559,929
Public safety	493,961	-	493,961
Public works	76,927	-	76,927
Community and economic development	10,509	-	10,509
Recreation and culture	53,459	-	53,459
Interest on long-term debt	73,007	-	73,007
Felt Mansion	-	75,857	75,857
Total expenses	<u>1,267,792</u>	<u>75,857</u>	<u>1,343,649</u>
Change in Net Assets	<u>\$ 219,318</u>	<u>\$ (19,399)</u>	<u>\$ 199,919</u>

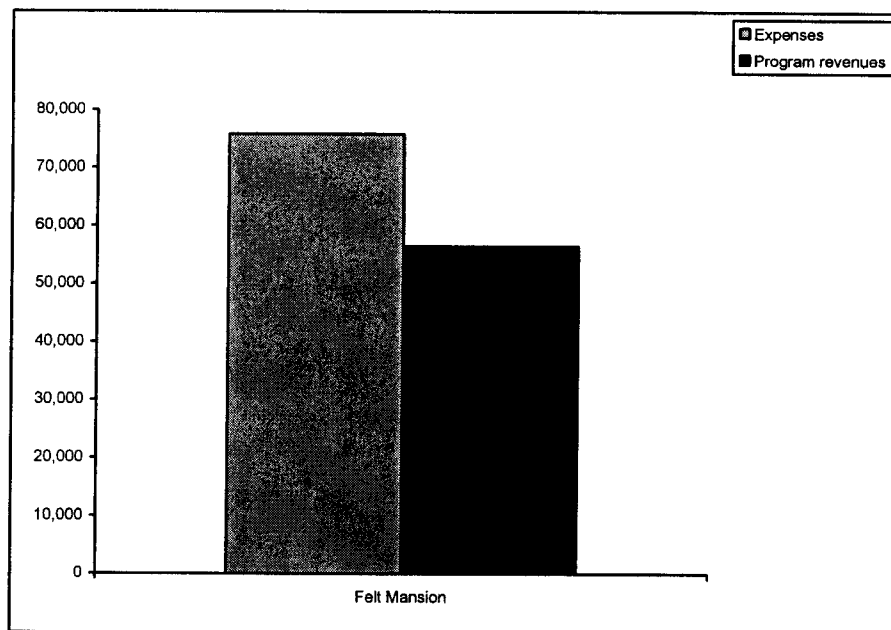
Expenses and Program Revenues - Governmental Activities



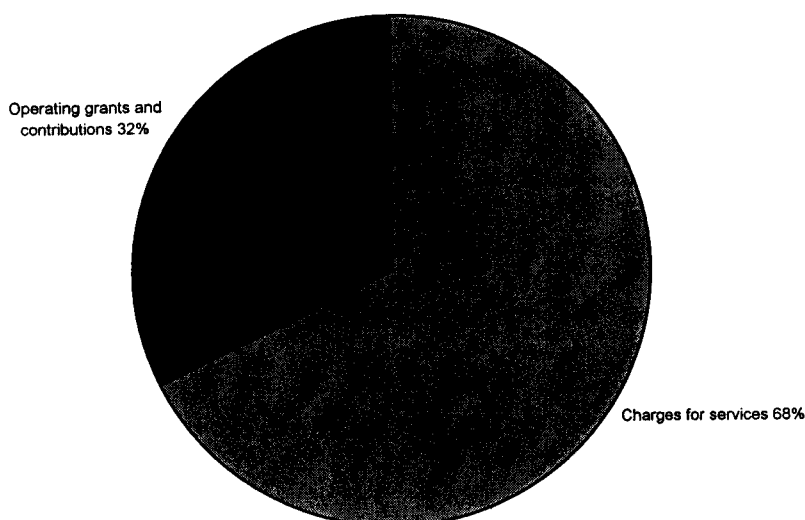
Revenues by Source – Governmental Activities



Expenses and Program Revenues-Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Township's Funds

Governmental Funds - Our analysis of the Township's major funds begins on page 4, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, grants, contributions or capital projects. The Township's major funds for fiscal year 2005 consist of the General Fund, Sewer Connection Fund, Graafschap Fire Station Debt Service Fund, and the Goshorn Water Debt Service Fund.

The General Fund is the main operating fund of the Township. Total General Fund revenues and other financing sources for fiscal year 2005 increased by \$36,547, or 2.56%, to \$1,438,645. Property tax revenues increased by \$53,580 or 7.3%. State shared revenues decreased by \$10,431 or 2.6%. All other General Fund revenue sources decreased by \$16,005.

General Fund expenditures and other financing uses increased in fiscal 2005 by \$55,627, or 4.0%, to \$1,461,298. The most significant changes occurred in the categories of General Government and Public Works, resulting from higher costs for wages and health insurance, and due to additional road paving expenditures during fiscal 2005.

The March 31, 2005 fund balance of the general fund is \$346,154, of which \$54,034 (15.6%) is reserved for construction code activities, and \$292,120 (84.4%) is unreserved. This is a decrease of \$22,653 from the prior year. The \$292,120 unreserved fund balance is approximately 20% of fiscal 2005 expenditures and operating transfers to other funds which amounted to \$1,461,298.

The Sewer Connection Fund is used to account for revenues from sewer connections that are specifically used for the maintenance, replacement and debt retirement of the Township's sewer system. Total Sewer Connection Fund revenues, consisting mainly of charges for services performed, decreased by \$29,367, or 57.6%, to \$21,587. During the year the Sewer Connection Fund had \$ 8,808 in expenditures compared to \$8,970 in the prior year. During the year, the Sewer Connection Fund transferred \$40,000 to the Goshorn Sewer Construction Fund for sewer construction purposes. The March 31, 2005 fund balance of the Sewer Connection Fund is \$147,835, a decrease of \$45,443 from the prior year.

The Graafschap Fire Station Debt Service Fund is used to account for repayments on a \$950,000 bond issue that was sold by Laketown Township Building Authority to finance the building of the Graafschap Fire Station. Total Graafschap Fire Station Debt Service Fund revenues, consisting mainly of special assessments, decreased by \$2,385, or 3.8%, to \$64,800. There were also \$17,900 of transfers in from the General Fund during the year compared to \$16,625 in the prior year. Graafschap Fire Station Debt Service Fund expenditures for the fiscal year were \$82,300 (all of which were for debt service), an increase of \$3,031, or 3.8%, compared to the prior year. The March 31, 2005 fund balance of the Graafschap Fire Station Debt Service Fund is \$750, an increase of \$400 from the prior year.

The Goshorn Water Debt Service Fund is used to account for the current payment of principal and interest of the Goshorn Water Note Payable, which was used to finance the building of a new water main in the Goshorn Lake area. Total Goshorn Water Debt Service Fund revenues, consisting mainly of special assessments, decreased by \$20,994, or 37%, to \$35,712. Goshorn Water Debt Service Fund expenditures for the fiscal year were \$60,533 (all of which were for debt service) compared to \$62,890 in the prior year. The March 31, 2005 fund balance of the Goshorn Water Debt Service Fund is \$69,059, a decrease of \$24,821 from the prior year.

Proprietary Funds – Laketown Township's proprietary fund provides the same type of information found in the government-wide financial statements (business-type activities) but in more detail. The Township's proprietary fund is the Felt Mansion Fund.

Operating revenues for the Felt Mansion Fund increased in fiscal year 2005 by \$25,078, from \$13,162 to \$38,240, mainly due to the fact that fiscal year 2005 was the Felt Mansion's first full year of operation. Non-operating revenues decreased in fiscal year 2005 by \$12,430, from \$30,648 to \$18,218. Operating expenses, excluding depreciation, decreased in fiscal year 2005 by \$29,970, from \$40,876 to \$70,846 due mainly to the fact that fiscal year 2005 was the Felt Mansion's first full year of operation.

Unrestricted net assets of the Felt Mansion Fund were \$11,309 at March 31, 2005.

During fiscal year 2005, the Township capitalized approximately \$200,000 of prior years' construction-in-progress relating to capital improvements of the Felt Mansion.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. Township operational departments generally stayed within budgeted amounts, resulting in total expenditures \$21,982 below the final budget. The General Fund's fund balance decreased by \$22,653 compared to a budgeted decrease of \$46,437.

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2005, amounted to \$4,335,626 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads and sidewalks, and certain flowage rights (drains). The total change in the Township's investment in capital assets for the current fiscal year was an increase of \$170,892 (4.9%) for governmental activities and a decrease of \$5,011 (0.7%) for business-type activities.

Major capital asset events during the current fiscal year included the following:

- \$39,290 expended for construction of sewer systems
- \$205,674 expended for road paving

Additional information on the Township's capital assets can be found in note 3C on pages 17-18 of this report.

Laketown Township's Capital Assets (net of depreciation)

	Governmental Activities	Business-Type Activities	Total
Land	\$ 2,727,077	\$ 469,423	\$ 3,196,500
Construction in progress	39,290	-	39,290
Buildings and improvements	395,854	195,418	591,272
Land improvements	257,361	-	257,361
Systems	-	-	-
Machinery, equipment, vehicles	48,957	-	48,957
Infrastructure	202,246	-	202,246
Total	\$ 3,670,785	\$ 664,841	\$ 4,335,626

Long-term debt. At the end of the current fiscal year, the Township had total installment debt outstanding of \$1,394,128.

Laketown Township's Outstanding Debt General Obligation and Revenue Bonds and Notes Payable

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Michigan Municipal Bond Authority bonds	\$ 780,000	\$ -	\$ 780,000
Notes and land contracts payable	383,643	-	383,643
County Drain Assessments	230,485	-	230,485
Total	\$ 1,394,128	\$ -	\$ 1,394,128

Total outstanding debt decreased by \$212,996 during the current year. This was a result of the Township making its required scheduled debt payments of \$212,996 while incurring no new debt during the year.

Additional information on the Township's long-term debt can be found in Note 3E on page 19 of this report.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for fiscal year ended March 31, 2006 calls for no change in the overall property tax rate of 2.5893 mills. This can be accomplished because of tax base growth.

The Township continues to be challenged by a reduction in State Shared Revenues. An increasing tax base has allowed the Township to avoid the need to raise tax rates. The Township is proposing a new millage of $\frac{1}{2}$ mill for law enforcement, to be voted on in November 2005, to help pay for law enforcement expenditures.

The Township is planning a capital improvement project for fiscal year ended March 31, 2006, for an extension of a sanitary sewer as well as a buy-in of a wastewater treatment plant and two pump stations to serve the Township, for which bonds were sold in April 2005, par amount of \$700,000.

Requests for Information

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions regarding this report or need additional information, we welcome you to contact the Township Manager's office.

Basic
Financial Statements

Laketown Township, Michigan
STATEMENT OF NET ASSETS
March 31, 2005

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and investments	\$ 652,074	\$ 12,782	\$ 664,856
Receivables:			
Taxes	45,742	-	45,742
Accounts	8,000	-	8,000
Special assessments	721,178	-	721,178
Due from other governments	90,476	-	90,476
Capital assets	<u>3,670,785</u>	<u>664,841</u>	<u>4,335,626</u>
Total Assets	<u>5,188,255</u>	<u>677,623</u>	<u>5,865,878</u>
LIABILITIES			
Accounts payable	30,626	1,206	31,832
Accrued payroll	19,472	267	19,739
Due to other governments	14,410	-	14,410
Deferred revenue	35,790	-	35,790
Accrued interest payable	39,300	-	39,300
Noncurrent liabilities:			
Due within one year	195,757	-	195,757
Due in more than one year	<u>1,198,371</u>	<u>-</u>	<u>1,198,371</u>
Total Liabilities	<u>1,533,726</u>	<u>1,473</u>	<u>1,535,199</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,276,657	664,841	2,941,498
Restricted for:			
Debt service	69,059	-	69,059
Construction code activities	54,034	-	54,034
Unrestricted	<u>1,254,779</u>	<u>11,309</u>	<u>1,266,088</u>
Total Net assets	<u>\$ 3,654,529</u>	<u>\$ 676,150</u>	<u>\$ 4,330,679</u>

See Notes to Financial Statements

Laketown Township, Michigan
STATEMENT OF ACTIVITIES
Year Ended March 31, 2005

		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants and
			Contributions
Function/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ 559,929	\$ 180,579	\$ -
Public safety	493,961	76,062	-
Public works	76,927	37,615	-
Community and economic development	10,509	7,650	-
Recreation and culture	53,459	-	12,500
Interest on long-term debt	73,007	-	-
Total Governmental Activities	1,267,792	301,906	12,500
Business-type activities:			
Felt Mansion	75,857	38,240	18,218
Total Primary Government	\$ 1,343,649	\$ 340,146	\$ 30,718

General revenues:

Property taxes
State shared revenues
Interest
Other

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (379,350)	\$ -	\$ (379,350)
(417,899)	-	(417,899)
(39,312)	-	(39,312)
(2,859)	-	(2,859)
(40,959)	-	(40,959)
(73,007)	-	(73,007)
(953,386)	-	(953,386)
-	(19,399)	(19,399)
(953,386)	(19,399)	(972,785)
706,237	-	706,237
386,324	-	386,324
31,469	-	31,469
48,674	-	48,674
1,172,704	-	1,172,704
219,318	(19,399)	199,919
3,435,211	695,549	4,130,760
<u>\$ 3,654,529</u>	<u>\$ 676,150</u>	<u>\$ 4,330,679</u>

Laketown Township, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2005

	General Fund	Sewer Connection Fund	Graafschap Fire Station Debt Service	Goshorn Water Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 288,972	\$ 147,774	\$ 750	\$ 68,030	\$ 146,548	\$ 652,074
Receivables:						
Taxes	45,742	-	-	-	-	45,742
Special assessments	-	995	615,789	84,794	19,600	721,178
Due from other governments	59,089	61	-	1,029	250	60,429
Total Assets	\$ 393,803	\$ 148,830	\$ 616,539	\$ 153,853	\$ 166,398	\$ 1,479,423
LIABILITIES						
Accounts payable	\$ 13,767	\$ -	\$ -	\$ -	\$ 16,859	\$ 30,626
Accrued payroll	19,472	-	-	-	-	19,472
Due to other governments	14,410	-	-	-	-	14,410
Deferred revenue	-	995	615,789	84,794	55,390	756,968
Total Liabilities	47,649	995	615,789	84,794	72,249	821,476
FUND BALANCES						
Reserved:						
Debt service	-	-	-	69,059	-	69,059
Construction code activities	54,034	-	-	-	-	54,034
Unreserved-reported in:						
General Fund	292,120	-	-	-	-	292,120
Special Revenue Funds	-	147,835	-	-	93,439	241,274
Debt Service Funds	-	-	750	-	-	750
Capital Projects Funds	-	-	-	-	710	710
Total Fund Balances	346,154	147,835	750	69,059	94,149	657,947
Total Liabilities and Fund Balances	\$ 393,803	\$ 148,830	\$ 616,539	\$ 153,853	\$ 166,398	

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

 General capital assets 3,468,539
 Infrastructure assets 202,246

State shared revenues (sales taxes) collected and held by the State at year end are not considered available to pay for current year expenditures and are therefore not reported in the funds 30,047

Cable franchise fees receivable are not considered available to pay for current year expenditures and are therefore not reported in the funds 8,000

Special assessments receivable are expected to be collected over several years and are not available to pay for current year expenditures and are therefore deferred in the funds 721,178

Interest accrued on bonds and notes payable is not reported in the funds (39,300)

Long term liabilities are not due and payable in the current period and are therefore not reported in the funds (1,394,128)

Net Assets of Governmental Activities \$ 3,654,529

Laketown Township, Michigan
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended March 31, 2005

	General Fund	Sewer Connection Fund	Graafschap Fire Station Debt	Goshorn Water Debt	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 789,959	\$ -	\$ -	\$ -	\$ -	\$ 789,959
Licenses and permits	83,713	-	-	-	-	83,713
State grants	12,500	-	-	-	-	12,500
State shared revenues	388,678	-	-	-	-	388,678
Charges for services	88,490	19,480	-	-	18,135	126,105
Fines and forfeitures	8,366	-	-	-	-	8,366
Interest and rent	20,962	205	-	5,515	4,787	31,469
Other	14,274	1,902	64,800	30,197	14,914	126,087
Total Revenues	1,406,942	21,587	64,800	35,712	37,836	1,566,877
Expenditures:						
Current:						
General government	510,150	-	-	-	-	510,150
Public safety	471,155	-	-	-	-	471,155
Public works	315,455	8,008	-	-	63,179	386,642
Community and economic development	10,509	-	-	-	-	10,509
Recreation and culture	23,928	-	-	-	-	23,928
Insurance, bonds, and fringes	31,630	-	-	-	-	31,630
Debt service:						
Principal	65,953	-	40,000	49,421	-	155,374
Interest	14,618	-	42,300	11,112	-	68,030
Total Expenditures	1,443,398	8,008	82,300	60,533	63,179	1,657,418
Excess of Revenues Over (Under) Expenditures	(36,456)	13,579	(17,500)	(24,821)	(25,343)	(90,541)
Other Financing Sources (Uses):						
Transfers in	31,703	-	17,900	-	40,000	89,603
Transfers out	(17,900)	(59,022)	-	-	(12,681)	(89,603)
Total Other Financing Sources (Uses)	13,803	(59,022)	17,900	-	27,319	-
Net Change in Fund Balances	(22,653)	(45,443)	400	(24,821)	1,976	(90,541)
Fund Balances - April 1, as Restated	368,807	193,278	350	93,880	92,173	748,488
Fund Balances - March 31	\$ 346,154	\$ 147,835	\$ 750	\$ 69,059	\$ 94,149	\$ 657,947

Laketown Township, Michigan
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended March 31, 2005

Net change in fund balances-Total Governmental Funds \$ (90,541)

Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Current year capital outlays capitalized - infrastructure capital assets	244,964
Current year depreciation expense on capitalized assets	(74,072)

Timing of revenue recognition differs in the statement of activities versus the funds financial statements for certain revenues that do not provide current financial resources

State shared revenues	(2,354)
Cable franchise fees	535

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not recorded in the funds until collected or collectible within 60 days of year end	(77,948)
--	----------

Repayments of bond and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	212,996
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In the statement of activities, interest is accrued on outstanding bonds and notes payable, whereas in governmental funds, an interest expenditure is reported when due	<u>5,738</u>
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Change in net assets of governmental activities	<u>\$ 219,318</u>
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Laketown Township, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
March 31, 2005

	<u>Enterprise Fund</u> <u>Felt</u> <u>Mansion</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 12,782
Noncurrent Assets:	
Capital assets	<u>664,841</u>
Total Assets	<u>677,623</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	1,206
Accrued payroll	<u>267</u>
Total Current Liabilities	<u>1,473</u>
NET ASSETS	
Invested in capital assets, net of related debt	664,841
Unrestricted	<u>11,309</u>
Total Net Assets	<u>\$ 676,150</u>

Laketown Township, Michigan
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended March 31, 2005

	<u>Enterprise Fund</u> <u>Felt</u> <u>Mansion</u>
Operating Revenues:	
Charges for Services:	
Felt Mansion rentals and tours	\$ 38,240
Operating Expenses:	
Operation and maintenance	65,582
General and administrative	5,264
Depreciation	<u>5,011</u>
Total Operating Expenses	<u>75,857</u>
Operating Income (Loss)	(37,617)
Nonoperating Revenues (Expenses)	
Contributions	<u>18,218</u>
Change in Net Assets	(19,399)
Net Assets - April 1	<u>695,549</u>
Net Assets - March 31	<u>\$ 676,150</u>

Laketown Township, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended March 31, 2005

	<u>Enterprise Fund</u> <u>Felt</u> <u>Mansion</u>
Cash Flows From (For) Operating Activities:	
Receipts from customers	\$ 38,240
Payments to suppliers	(70,406)
Payments to employees	(4,351)
Other receipts	<u>7,300</u>
Net Cash Provided (Used) By Operating Activities	(29,217)
 Cash Flows From Noncapital Financing Activities:	
Contributions	<u>18,218</u>
 Net Increase (Decrease) in Cash and Investments	(10,999)
 Cash and Investments - April 1	<u>23,781</u>
 Cash and Investments - March 31	<u>\$ 12,782</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:	
Operating income (loss)	\$ (37,617)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	5,011
Change in assets and liabilities:	
Receivables	7,300
Accounts payable	(4,178)
Accrued and other liabilities	<u>267</u>
 Net Cash Provided (Used) By Operating Activities	<u>\$ (29,217)</u>

Laketown Township, Michigan
NOTES TO FINANCIAL STATEMENTS
Year Ended March 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Laketown Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Laketown Township:

A. Reporting Entity

Laketown Township is governed by an elected five-member board of trustees. The accompanying financial statements present the township and its component units, entities for which the township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Unit. The Laketown Township Building Authority has a five-member board appointed by the Township Board. The Building Authority issued limited tax general obligation bonds to finance the demolition of the former Michigan Dunes Correction Facility and site improvements to the remaining buildings and grounds. These bonds have been fully retired. The Township has entered into a long-term lease with the authority for use of the facilities.

The Building Authority has also issued bonds to finance the construction of a new fire station for Graafschap Fire Department. The Township is obligated to repay these bonds, with approximately 79% of the debt service requirements being reimbursed to the Township from Graafschap Fire Department.

Discretely Presented Component Unit. The Township has no discretely presented component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable (Laketown Township has no such component units).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Other revenue is recorded when received.

The township reports the following major governmental funds:

General Fund - The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Sewer Connection Fund - This fund was established to account for revenues from sewer connections that are specifically used for the maintenance, replacement and debt retirement of the Township's sewer system.

Graafschap Fire Station Debt Service Fund - This fund was established to account for repayments on a \$950,000 bond issue that was sold by Laketown Township Building Authority to finance the building of the Graafschap Fire Station.

Goshorn Water Debt Service Fund - This fund was established to account for the current payment of principal and interest on the Goshorn Water Note Payable, which was used to finance the building of a new water main in the Goshorn Lake area.

The township reports the following major proprietary funds:

Felt Mansion Fund - This fund is used to account for operations and renovations of the Felt Mansion.

Additionally, the township reports the following fund types:

Governmental Funds

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Debt Service Funds - Debt Service Funds account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The township has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of the inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for rents and tours. Operating expenses for the proprietary fund include costs of operations, maintenance, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. *Bank Deposits and Investments.*

The township pools cash resources of its various funds to facilitate the management of cash. The balances in the pooled cash accounts are available to meet current operating requirements.

The township's investment policies are governed by state statutes, formal board policy, and administrative procedures. Permissible investments include obligations of the U.S. Treasury and its agencies, Michigan financial institution certificates of deposits and accounts, commercial paper with prescribed ratings, U.S. government repurchase agreements, and mutual funds and investment pools consisting of any of the above. Attorney General's Opinion No. 6168 states that public funds may not be deposited in institutions located in states other than Michigan. The township's deposits are in accordance with statutory authority.

Investments are recorded at fair value. Earnings in the pooled cash accounts are allocated to each fund based upon respective balances of cash and investments.

2. *Receivables and Payables.*

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

3. *Inventories and Prepaid Items.*

Inventories do not consist of material amounts. Inventories of governmental funds are recorded as expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Capital Assets.*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. General infrastructure assets acquired prior to April 1, 2004, are not reported in the basic financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$0 of interest expense was capitalized as part of the cost of assets under construction.

Included in capital assets are the township's investment in roads and drains within the township that are recorded as intangible assets (shared road improvements and flowage rights). Although paid for by the township, Michigan law makes these assets property of the County (along with the responsibility to maintain them).

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	15
Machinery and equipment	5-15
Office furniture and equipment	5-20
Vehicles	3-25
Roads and sidewalks	15-25
Water and sewer systems	10-50

5. *Compensated Absences.*

It is the township's policy to permit certain employees to accumulate earned but unused vacation pay benefits. If material, vacation pay is accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations at year end.

6. Long-Term Obligations.

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

7. Fund Equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Property Taxes

Property taxes are levied on each December 1 (lien date and due date) on the taxable valuation of property as of the preceding December 31. Real and personal property taxes are collected without additional charge through February 14. The township continues to collect taxes until March 1, at which time the delinquent real property taxes are returned to the county for collection. Taxes returned to the county treasurer are subject to penalty and interest. The county's policy has been to pay the township for all delinquent real property taxes returned. The township continues to collect delinquent personal property taxes.

The township's 2004 ad valorem tax was levied and collectible on December 1, 2004, and recognized as revenue during the year ended March 31, 2005, when proceeds of this levy were budgeted and made available for the financing of operations.

The 2004 taxable equivalency valuation of the township totaled \$273,687,838, on which ad valorem taxes levied consisted of .5893 mills for township operating purposes and 2.0000 mills for fire protection, roads, and drains. This resulted in \$160,789 for operating purposes and \$545,738 for fire protection, roads, and drains.

The above amounts are recognized in the General Fund as tax revenue.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principle generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

Before March 31, the proposed budget is presented to the Township Board for review. The Board holds public hearings and a final budget must be prepared and adopted no later than March 31. Appropriated budgets are amended from time to time throughout the course of the year by supplementary resolutions approved by the Board of Trustees. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered spent once the goods are delivered or the services rendered.

The appropriated budget is prepared by fund, function, and activity. The legal level of budgetary control adopted by the governing body is the activity level. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Comparisons of actual results of operations as compared to budget for the General Fund and Sewer Connection Fund are included in the required supplemental information.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The governing body has designated several banks for the deposit of township funds. The investment policy adopted by the township in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

The township's deposits and investment policy are in accordance with statutory authority.

At year-end, the township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Total
Cash and investments	\$ 652,074	\$ 12,782	\$ 664,856

The breakdown between deposits and investments is as follows:

Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 664,856
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The bank balance of the township's deposits is \$676,666 of which \$200,000 is covered by federal depository insurance and \$476,666 is uninsured and uncollateralized. The township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the township evaluates each financial institution with which it deposits township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the township or its agent in the township's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the township's name.
- (3) Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the township's name.

At year end, the township's investment balances totaled \$0.

B. Receivables

Receivables as of year-end for the township's individual major funds, and non-major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Sewer Connection	Graafschap Fire Station Debt	Goshorn Water Debt	Nonmajor Funds	Total
Receivables:						
Taxes	\$ 45,742	\$ -	\$ -	\$ -	\$ -	\$ 45,742
Special assessments	-	995	615,789	84,794	19,600	721,178
Intergovernmental	59,089	61	-	1,029	250	60,429
Gross receivables	104,831	1,056	615,789	85,823	19,850	827,349
Allowance for uncollectibles	-	-	-	-	-	-
Net Total Receivables	<u>\$ 104,831</u>	<u>\$ 1,056</u>	<u>\$ 615,789</u>	<u>\$ 85,823</u>	<u>\$ 19,850</u>	<u>\$ 827,349</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	<u>\$ 721,178</u>	<u>\$ 35,790</u>

C. Capital Assets

Capital asset activity of the township for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 2,727,077	\$ -	\$ -	\$ -	\$ 2,727,077
Construction in progress	-	39,290	-	-	39,290
Subtotal	<u>2,727,077</u>	<u>39,290</u>	<u>-</u>	<u>-</u>	<u>2,766,367</u>
Capital Assets Being Depreciated					
Building and improvements	554,003	-	-	-	554,003
Land improvements	472,548	-	-	-	472,548
Machinery and equipment	14,517	-	-	-	14,517
Office furniture and equipment	102,803	-	-	-	102,803
Vehicles	131,621	-	-	-	131,621
Infrastructure	-	205,674	-	-	205,674
Subtotal	<u>1,275,492</u>	<u>205,674</u>	<u>-</u>	<u>-</u>	<u>1,481,166</u>
Less Accumulated Depreciation for					
Buildings and improvements	(143,659)	(14,490)	-	-	(158,149)
Land improvements	(183,684)	(31,503)	-	-	(215,187)
Machinery and equipment	(14,164)	(117)	-	-	(14,281)
Office furniture and equipment	(80,451)	(7,566)	-	-	(88,017)
Vehicles	(80,718)	(16,968)	-	-	(97,686)
Infrastructure	-	(3,428)	-	-	(3,428)
Subtotal	<u>(502,676)</u>	<u>(74,072)</u>	<u>-</u>	<u>-</u>	<u>(576,748)</u>
Net Capital Assets Being Depreciated	<u>772,816</u>	<u>131,602</u>	<u>-</u>	<u>-</u>	<u>904,418</u>
Governmental Activities Total					
Capital Assets - Net of Depreciation	<u>\$ 3,499,893</u>	<u>\$ 170,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,670,785</u>

Depreciation expense was charged to programs of the township as follows:

Governmental Activities	
General government	\$ 18,149
Public safety	22,806
Public works	3,586
Recreation and culture	<u>29,531</u>
Total Governmental Activities	<u>\$ 74,072</u>

Business-Type Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 469,423	\$ -	\$ -	\$ -	\$ 469,423
Construction in progress	200,429	-	-	(200,429)	-
Subtotal	669,852	-	-	(200,429)	469,423
Capital Assets Being Depreciated					
Buildings and improvements	-	-	-	200,429	200,429
Less Accumulated Depreciation for Buildings and improvements	-	(5,011)	-	-	(5,011)
Net Capital Assets Being Depreciated	-	(5,011)	-	200,429	195,418
Business Type Activities Total					
Capital Assets - Net of Depreciation	\$ 669,852	\$ (5,011)	\$ -	\$ -	\$ 664,841

Depreciation expense was charged to programs of the business-type activities as follows:

Business-Type Activities	
Felt Mansion	\$ 5,011

Construction Commitments-The township had no significant construction projects or commitments as of March 31, 2005.

D. Interfund Receivables, Payables and Transfers

At March 31, 2005, there were no interfund balances. Interfund transfers reported in the funds statements were as follows:

	Transfers Out			
	General Fund	Sewer Connection	Water Connection	Totals
Transfers In:				
General Fund	\$ -	\$ 19,022 (1)	\$ 12,681 (1)	\$ 31,703
Graafschap Fire Station Debt	17,900 (2)	-	-	17,900
Nonmajor governmental funds	-	40,000 (3)	-	40,000
	\$ 17,900	\$ 59,022	\$ 12,681	\$ 89,603

The following describes the nature of significant transfers:

- (1) Transfers to General Fund for annual administrative charges
- (2) Transfer from General Fund for debt service
- (3) Transfer from Sewer Connection Fund for capital project purposes

E. Long-Term Debt

The township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity for the township can be summarized as follows:

	<u>Original Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
General obligation bonds						
1999 Building Authority, interest rate of 5.25 %, maturing 2019	\$ 950,000	\$ 820,000	\$ -	\$ (40,000)	\$ 780,000	\$ 40,000
Land contract payable						
2002 Jansen Land, interest rate of 6 %, maturing 2006	65,000	39,000	-	(13,000)	26,000	13,000
Notes payable						
Monroe Bank and Trust (Goshorn Water), interest rate of 4.75 %, maturing 2008	494,211	228,492	-	(49,421)	179,071	49,421
Monroe Bank and Trust (Bike Path), interest rate of 5.25 %, maturing 2009	250,000	214,286	-	(35,714)	178,572	35,714
Monroe Bank and Trust (Police Cruisers), interest rate of 4.75 %, matured 2004	51,717	17,239	-	(17,239)	-	-
County Drain Assessments						
Virginia Park Intercounty Drainage District, interest rate of 4.23 %, maturing 2007	103,387	73,848	-	(14,770)	59,078	14,770
Kelly Lake Intercounty Drainage District, interest rate of 4.27 %, maturing 2008	163,301	116,644	-	(23,329)	93,315	23,329
Kuipers Drain Drainage District, interest rate of 3.49 %, maturing 2007	97,615	<u>97,615</u>	<u>-</u>	<u>(19,523)</u>	<u>78,092</u>	<u>19,523</u>
Total Governmental Activities		<u>\$ 1,607,124</u>	<u>\$ -</u>	<u>\$ (212,996)</u>	<u>\$ 1,394,128</u>	<u>\$ 195,757</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ended March 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 195,757	\$ 68,549
2007	195,757	59,144
2008	182,756	49,741
2009	164,143	44,499
2010	80,715	33,244
2011-2015	255,000	118,784
2016-2020	<u>320,000</u>	<u>43,314</u>
Total	<u>\$ 1,394,128</u>	<u>\$ 417,275</u>

F. Restricted Assets

The township had no restricted assets at March 31, 2005.

NOTE 4. PRIOR PERIOD ADJUSTMENT

In the government fund financial statements, fund balance at April 1, 2004 has been adjusted. The adjustment resulted because state shared revenue received within 60 days of the end of the current fiscal year had not been accrued in prior years. The effect of this adjustment increased fund balance (general fund) at April 1, 2004 by \$51,614. Had state shared revenue received within 60 days of the end of the current fiscal year been accrued in prior years, the change in fund balance for the year ended March 31, 2004 would have decreased by \$6,898.

	Total Governmental Funds	General Fund
Fund balance at March 31, 2004, as originally reported	\$ 696,874	\$ 317,193
Effect of prior period adjustment	51,614	51,614
Fund balance at March 31, 2004, as restated	<u>\$ 748,488</u>	<u>\$ 368,807</u>

NOTE 5. SUBSEQUENT EVENTS

In January 2005, the township board approved a bond issue proposal, and on April 19, 2005, bonds in the par amount of \$700,000 were issued, resulting in proceeds of \$672,889 after discounts and issuance costs. Proceeds from the bond issuance are to be used for the purpose of paying for the township's share of an extension of a sanitary sewer as well as a buy-in of a wastewater treatment plant and two pump stations to serve the township (referred to as the Goshorn Sewer Construction project).

NOTE 6. JOINT VENTURE

Certain entities which are not part of a township's reporting entity but were, in part, created by the township for special purposes, are accounted for as joint ventures. The following is a joint venture in which the township participates:

The township is a member of the Graafschap Fire Department (the Department), a joint venture of the township and Fillmore Township, to provide fire protection within the participating townships. The township does not have an explicit, measurable equity interest in the Department. Costs of operations and capital expenditures are supported by contributions from the participating townships. Contributions from the participating townships are based on the prior year's fire protection runs and tax base in each township. The Department is managed by a board that consists of two members from each of the participating townships. For the year ended March 31, 2005, costs were allocated 79.09% to Laketown Township and 20.91% to Fillmore Township. During the year ended March 31, 2005, the township contributed \$251,285 to the Department. As of March 31, 2005, the department has net assets of \$645,231 and long-term debt of \$646,196. The Department did not experience a deficit. Separate financial statements of the joint venture may be obtained from either of the participating townships.

NOTE 7. OTHER INFORMATION

A. Risk Management

The township is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions and natural disasters for which the township carries full multi-peril insurance coverage underwritten by the Michigan Municipal League. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

B. Pension Plan

The township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all township employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Trusts have been created for the plan assets, thereby insulating the assets from the unit of government's general creditors. The township has no fiduciary or administrative responsibility for the plan, therefore the plan assets are not reflected as an agency fund in the accompanying financial statements. The township also contributes a percentage of each employee's salary to the plan. For the year ended March 31, 2005, the township's contribution amounted to \$17,288.

C. Related Party Transactions

During the year ended March 31, 2000, Laketown Township built a fire station to be used by Graafschap Fire Department (a related party). To finance part of the construction, Laketown Township sold bonds with a face value of \$950,000 (Note 3E). An agreement between Fillmore Township and Laketown Township was made, that Graafschap Fire Department will pay \$750,000 of the \$950,000, plus interest, over the next twenty years to purchase the building from Laketown Township. The remaining amount to retire the bonds will come from general operations of Laketown Township. As of March 31, 2005, special assessments receivable from Graafschap Fire Department for the retirement of principal and interest on the bonds totaled \$615,789.

D. Inspections

The township accounts for the activity of its inspection department within its general fund. Following is a summary of building inspection activity for the year ended March 31, 2005:

Fund balance April 1, 2004	\$ 58,600
Charges for services	70,213
Building inspection expenditures	<u>(74,779)</u>
Fund balance March 31, 2005	<u>\$ 54,034</u>

E. Change in Accounting Policy

In the year ended March 31, 2005, the township implemented GASB Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." Statement No. 34 established new financial reporting requirements for all state and local governments and consists of the following:

Management's discussion and analysis;

Basic Financial Statements

Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, including capital and infrastructure assets

Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;

Notes to the financial statements;

Required supplementary information, which requires budgetary comparison schedules to be presented.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The township has elected to implement the general provisions of the Statement, and to not implement the retroactive reporting of infrastructure in the current year.

**Required
Supplementary Information**

Laketown Township, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended March 31, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ 783,000	\$ 790,500	\$ 789,959	\$ (541)
Licenses and permits	93,100	90,300	83,713	(6,587)
State grants	12,500	12,500	12,500	-
State shared revenues	407,400	381,950	388,678	6,728
Charges for services	68,800	89,890	88,490	(1,400)
Fines and forfeitures	6,000	8,000	8,366	366
Interest	15,000	15,000	20,962	5,962
Other	23,000	17,000	14,274	(2,726)
Total Revenues	<u>1,408,800</u>	<u>1,405,140</u>	<u>1,406,942</u>	<u>1,802</u>
Expenditures:				
Current:				
General Government:				
Township board	57,300	66,375	62,296	4,079
Supervisor	20,355	18,355	18,109	246
Township manager	89,660	126,810	127,353	(543)
Audit	12,000	12,150	12,150	-
Clerk	29,715	29,715	30,621	(906)
Board of review	650	650	1,165	(515)
General office	119,735	126,465	128,173	(1,708)
Treasurer	28,570	28,805	27,090	1,715
Assessor	64,950	64,950	63,441	1,509
Elections	20,000	25,820	26,501	(681)
Building and grounds	14,700	14,700	11,921	2,779
Cemetery	2,000	1,500	1,330	170
Total General Government	<u>459,635</u>	<u>516,295</u>	<u>510,150</u>	<u>6,145</u>
Public Safety:				
Police services	176,550	185,050	185,617	(567)
Fire protection	251,285	251,285	251,285	-
Inspections	41,000	41,000	34,253	6,747
Total Public Safety	<u>468,835</u>	<u>477,335</u>	<u>471,155</u>	<u>6,180</u>
Public Works:				
Drains	70,300	69,800	69,716	84
Highways, streets, and bridges	210,000	209,420	209,415	5
Street lights	10,500	10,500	11,260	(760)
Solid waste/recycling	24,500	25,200	25,064	136
Total Public Works	<u>315,300</u>	<u>314,920</u>	<u>315,455</u>	<u>(535)</u>

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Community and Economic Development				
Planning commission	10,000	10,000	8,488	1,512
Zoning board of appeals	2,000	2,000	2,021	(21)
Total Community and Economic Development	12,000	12,000	10,509	1,491
Recreation and Culture:				
Parks commission	31,800	31,800	23,928	7,872
Insurance, Bonds, and Fringes:				
Employee insurances	23,500	21,440	20,896	544
Liability insurance	21,500	11,000	10,734	266
Total Insurance, Bonds, and Fringes	45,000	32,440	31,630	810
Debt service:				
Principal retirement	66,722	65,972	65,953	19
Interest and fiscal charges	14,618	14,618	14,618	-
Total Debt Service	81,340	80,590	80,571	19
Total Expenditures	1,413,910	1,465,380	1,443,398	21,982
Excess Of Revenues Over (Under) Expenditure	(5,110)	(60,240)	(36,456)	23,784
Other Financing Sources (Uses):				
Transfers in	24,100	31,703	31,703	-
Transfers out	(17,900)	(17,900)	(17,900)	-
Total Other Financing Sources (Uses)	6,200	13,803	13,803	-
Net Change in Fund Balances	1,090	(46,437)	(22,653)	23,784
Fund Balances - April 1, as Restated	368,807	368,807	368,807	-
Fund Balances - March 31	\$ 369,897	\$ 322,370	\$ 346,154	\$ 23,784

Laketown Township, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SEWER CONNECTION FUND
Year Ended March 31, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Charges for services	\$ 37,000	\$ 17,400	\$ 19,480	\$ 2,080
Interest	300	300	205	(95)
Other	2,000	1,500	1,902	402
Total Revenues	39,300	19,200	21,587	2,387
Expenditures:				
Current:				
Public Works:				
Contracted services	8,300	5,100	3,998	1,102
Engineering	3,000	5,000	4,010	990
Total Expenditures	11,300	10,100	8,008	2,092
Excess Of Revenues Over (Under) Expenditures	28,000	9,100	13,579	4,479
Other Financing Sources (Uses):				
Transfers out	(14,100)	(44,022)	(59,022)	(15,000)
Total Other Financing Sources (Uses):	(14,100)	(44,022)	(59,022)	(15,000)
Net Change in Fund Balances	13,900	(34,922)	(45,443)	(10,521)
Fund Balances - April 1	193,278	193,278	193,278	-
Fund Balances - March 31	\$ 207,178	\$ 158,356	\$ 147,835	\$ (10,521)

Supplemental Data

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Water Connection - This fund was established to account for revenue from water connections that are specifically restricted to the maintenance, replacement and debt retirement of the township's water system

Debt Service Funds

Debt service funds account for resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds.

Goshorn Sewer Debt Service - This fund is used to account for the collection of special assessments relating to the Goshorn Sewer Construction project, and the payment of bond principal and interest on the \$700,000 of Capital Improvement Bonds, Series 2005, sold on April 19, 2005 to finance the Goshorn Sewer Construction project.

Capital Project Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Goshorn Sewer Construction - This fund is used to account for the purchase and/or construction of the township's share of an extension of a sanitary sewer, as well as a buy-in of a wastewater treatment plant and two pump stations to serve the township (referred to as the Goshorn Sewer Construction project). This project will be financed with \$700,000 of Capital Improvement Bonds, Series 2005, sold on April 19, 2005.

Laketown Township, Michigan
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
March 31, 2005

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
	Water Connection	Goshorn Sewer Debt Service	Goshorn Sewer Construction	
ASSETS				
Cash and investments	\$ 93,300	\$ 35,790	\$ 17,458	\$ 146,548
Receivables:				
Special assessments	19,600	-	-	19,600
Due from other governments	<u>250</u>	<u>-</u>	<u>-</u>	<u>250</u>
TOTAL ASSETS	<u>\$ 113,150</u>	<u>\$ 35,790</u>	<u>\$ 17,458</u>	<u>\$ 166,398</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 111	\$ -	\$ 16,748	\$ 16,859
Deferred revenue	<u>19,600</u>	<u>35,790</u>	<u>-</u>	<u>55,390</u>
Total Liabilities	19,711	35,790	16,748	72,249
Fund Balances:				
Unreserved	<u>93,439</u>	<u>-</u>	<u>710</u>	<u>94,149</u>
Total Liabilities and Fund Balances	<u>\$ 113,150</u>	<u>\$ 35,790</u>	<u>\$ 17,458</u>	<u>\$ 166,398</u>

Laketown Township, Michigan
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended March 31, 2005

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
	Water Connection	Goshorn Sewer Debt Service	Goshorn Sewer Construction	
Revenues:				
Charges for services	\$ 18,135	\$ -	\$ -	\$ 18,135
Interest and rent	4,787	-	-	4,787
Other	14,914	-	-	14,914
Total Revenues	37,836	-	-	37,836
Expenditures:				
Current:				
Public works	23,889	-	39,290	63,179
Excess of Revenues Over (Under) Expenditures	13,947	-	(39,290)	(25,343)
Other Financing Sources (Uses):				
Transfers in	-	-	40,000	40,000
Transfers out	(12,681)	-	-	(12,681)
Total Other Financing Sources (Uses)	(12,681)	-	40,000	27,319
Net Change in Fund Balances	1,266	-	710	1,976
Fund Balances - April 1	92,173	-	-	92,173
Fund Balances - March 31	\$ 93,439	\$ -	\$ 710	\$ 94,149

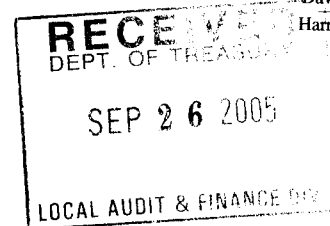


Kiekover, Scholma & Shumaker, PC

Certified Public Accountants and Consultants

Calvin Scholma
Richard Shumaker
Kenneth Scholma
Michael Brandsen
Emil Sabolish, Jr.
David Nienhuis
Harris Kiekover

July 20, 2005



Mr. Al Meshkin
Manager
Laketown Township

In planning and performing our audit of the financial statements of Laketown Township for the year ended March 31, 2005, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted the following matters involving the internal control and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgement, could adversely affect Laketown Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

We believe the following are reportable conditions as defined above.

1. During the year, we noted that the pooled cash account was not reconciled in a timely manner. We recommend that the Township's pooled cash account be reconciled to the general ledger balances on a monthly basis to help ensure that all receipts, disbursements, transfers, and other reconciling items are recorded on a timely basis, and to ensure the accuracy of the Township's cash balances and financial position.
2. During the year, the Township did not use a consistent method (qualified plan method, or unqualified plan method) of reimbursing employees for expenses they incurred on behalf of the Township. We recommend the Township use a consistent method of reimbursing employees for these expenses.

If you have any questions or would like to discuss any of the above in further detail, please contact us.

Sincerely,

Kiekover, Scholma & Shumaker, PC